



American Farmland Trust

Cost of Community Services Studies



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What is a COCS

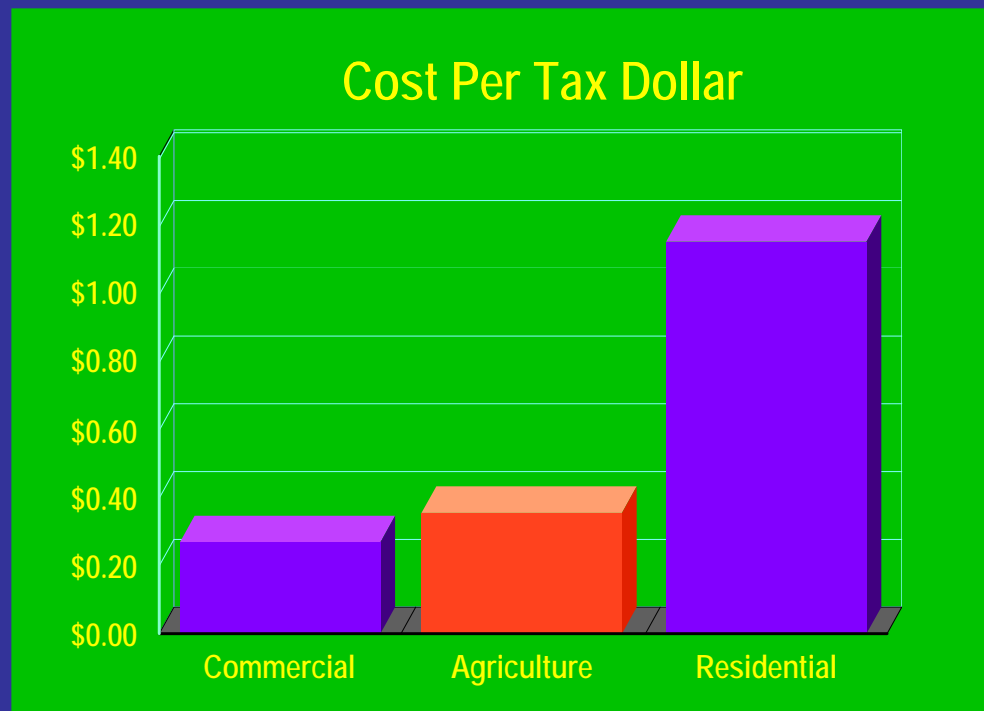
- Assign the cost of public services to different classes of land use such as residential, commercial, industrial, farm, forest and open lands.
- The result is a ratio of expenditures-to-revenues for different land use types.

Interest by Farm Bureau?

- Criticism by non farmers that farmers get an unfair tax break with the Greenbelt program.

Farmland: What's at Stake?

Economics



Cost of Community Service

- Service value for each dollar in taxes paid:
 - Residential - \$1.15 to \$1.50
 - Commercial / Industrial - .35 to .65 cents
 - Agricultural - .30 to .50 cents

Farmers are not opposed to Growth



COCS Studies Dispel Three Common Myths

1. Residential development will lower property taxes by increasing the tax base.
2. Differential property tax programs give farms an unfair tax break .
3. Open lands, including productive farms, are interim uses waiting around to be developed to their “highest and best use.”

Cost of Community Service Studies

Net fiscal impact of major types of land use:

- Residential
- Commercial/Industrial
- Farm, Forest, and Open Lands

COCS Methodology

Key Assumptions:

- Snapshot in time
- Depends on local officials
- Entire budget related to community properties

Community Services?

General Government

- Judicial Administration
- Public Safety
- Public Health & Welfare
- Public Works
- Debt Service & Capital Projects
- Schools

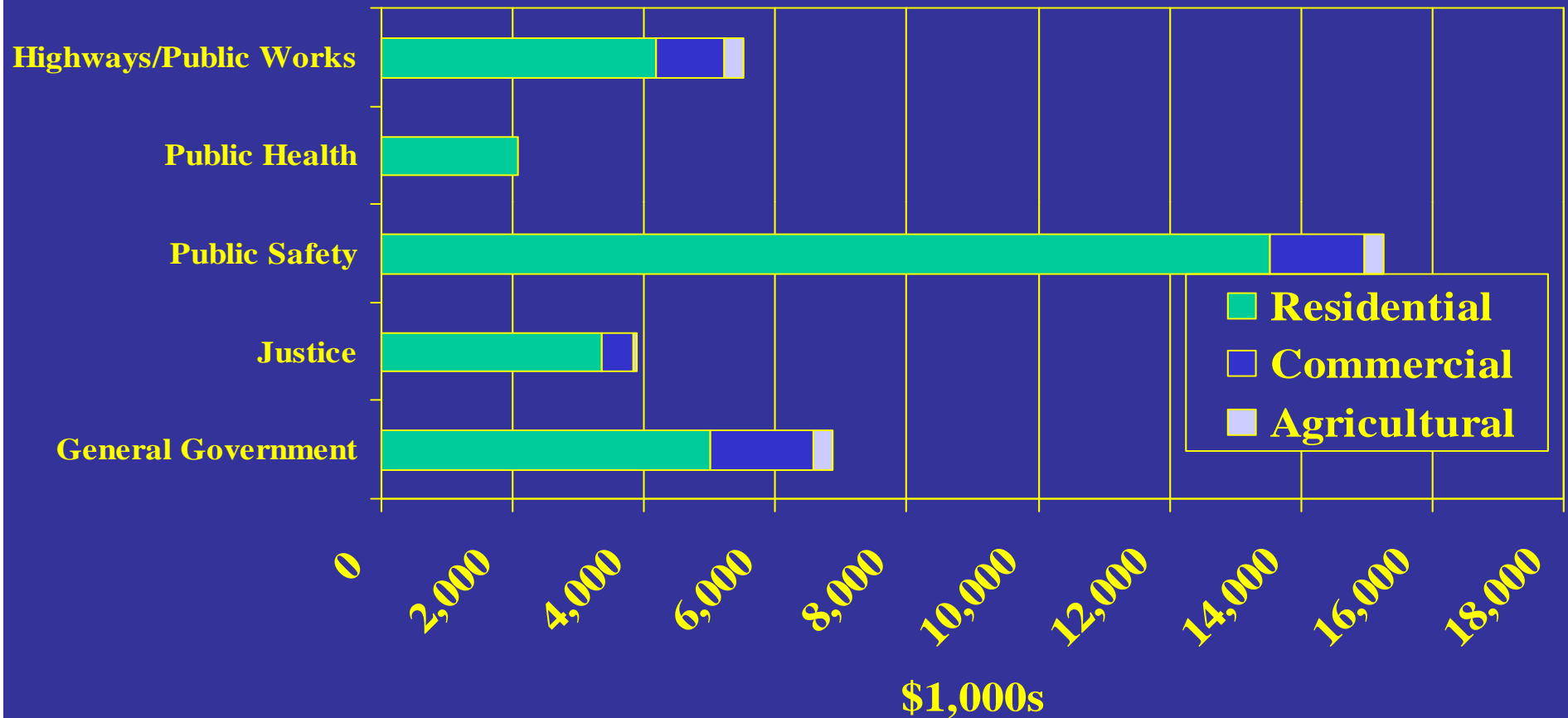
Not Included

City services, except for shared services

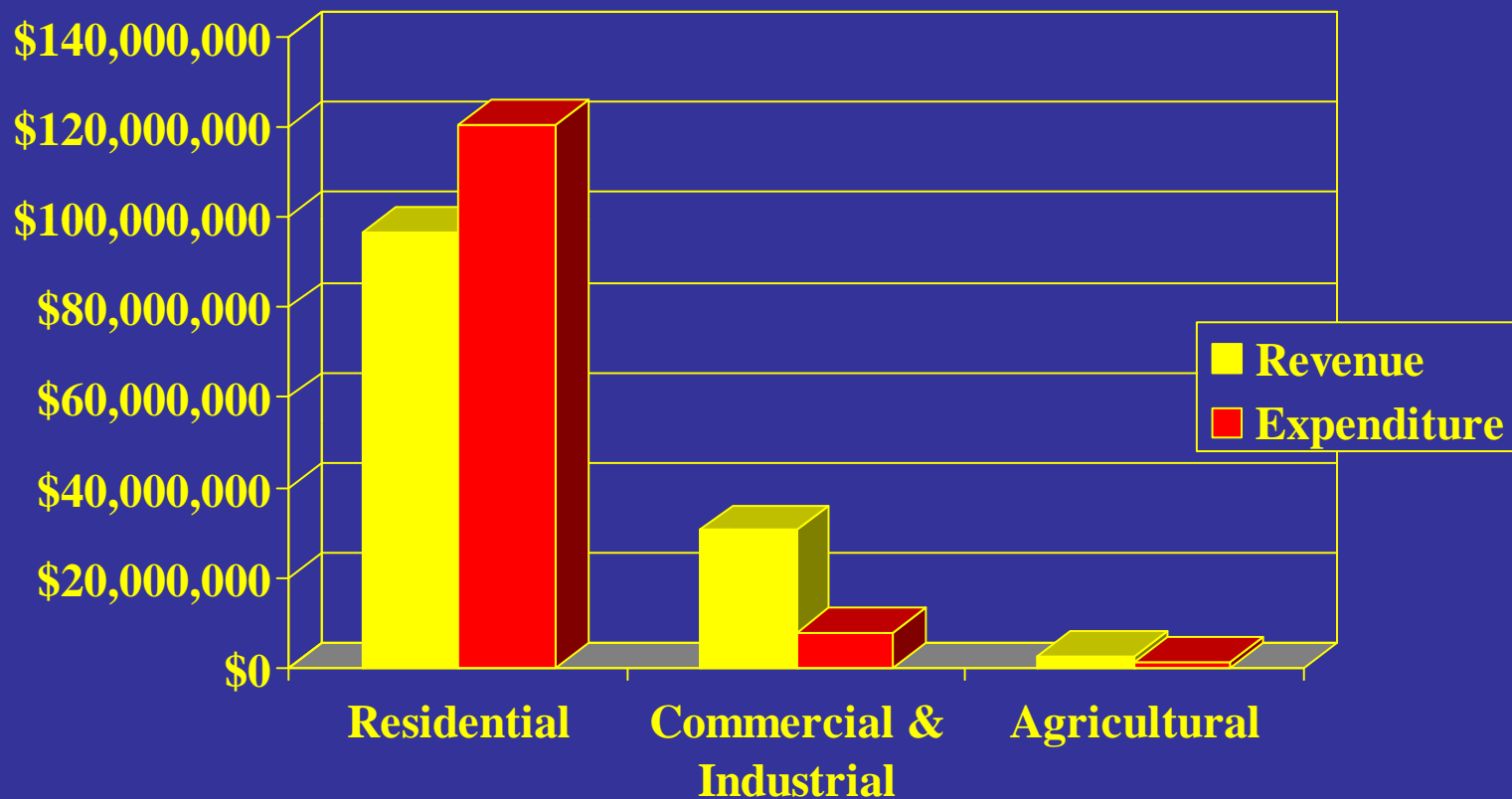
Revenues

- Property taxes for general government,
- Local option sales taxes
- Licenses and permits
- Fines, forfeitures and fees
- State and federal funds

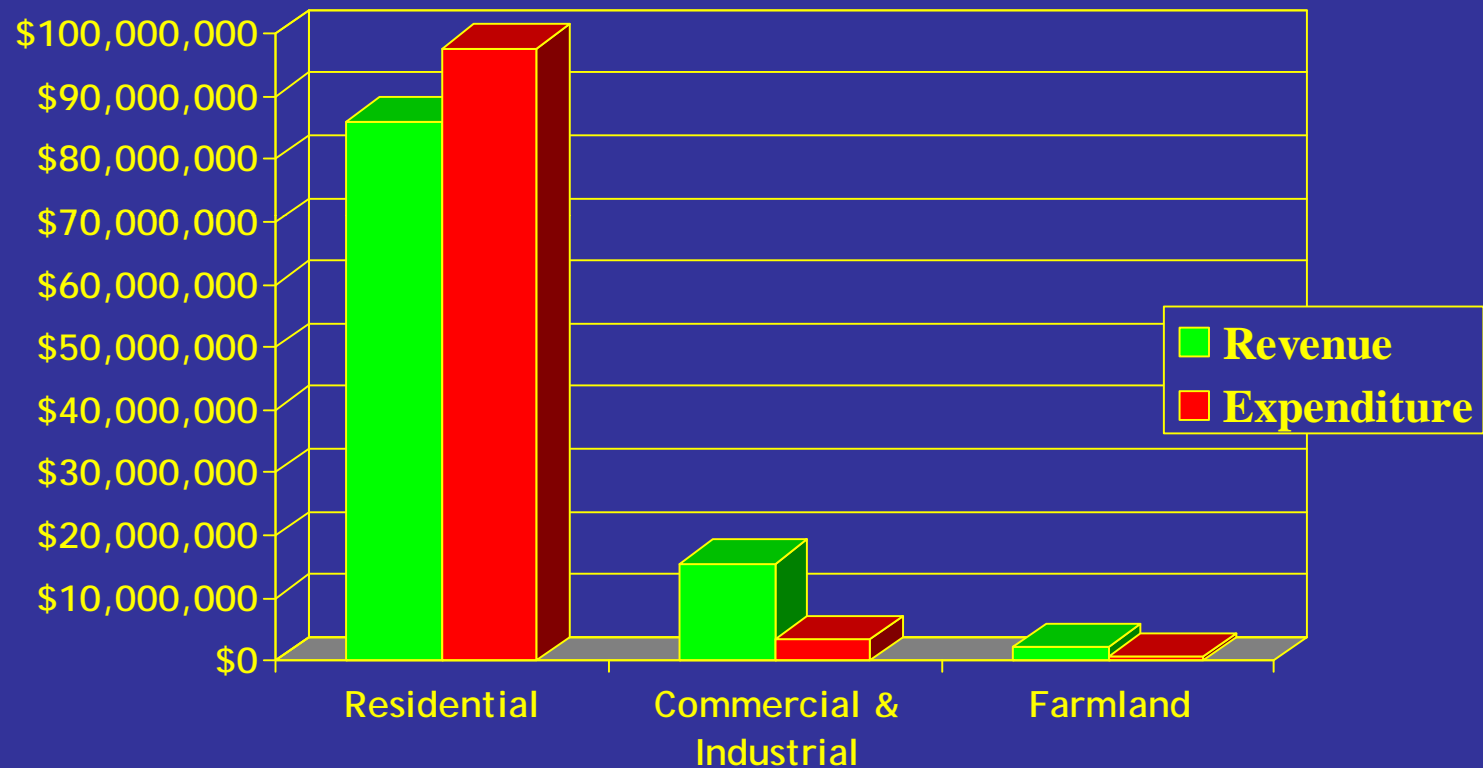
Expenditures by Land Use Blount



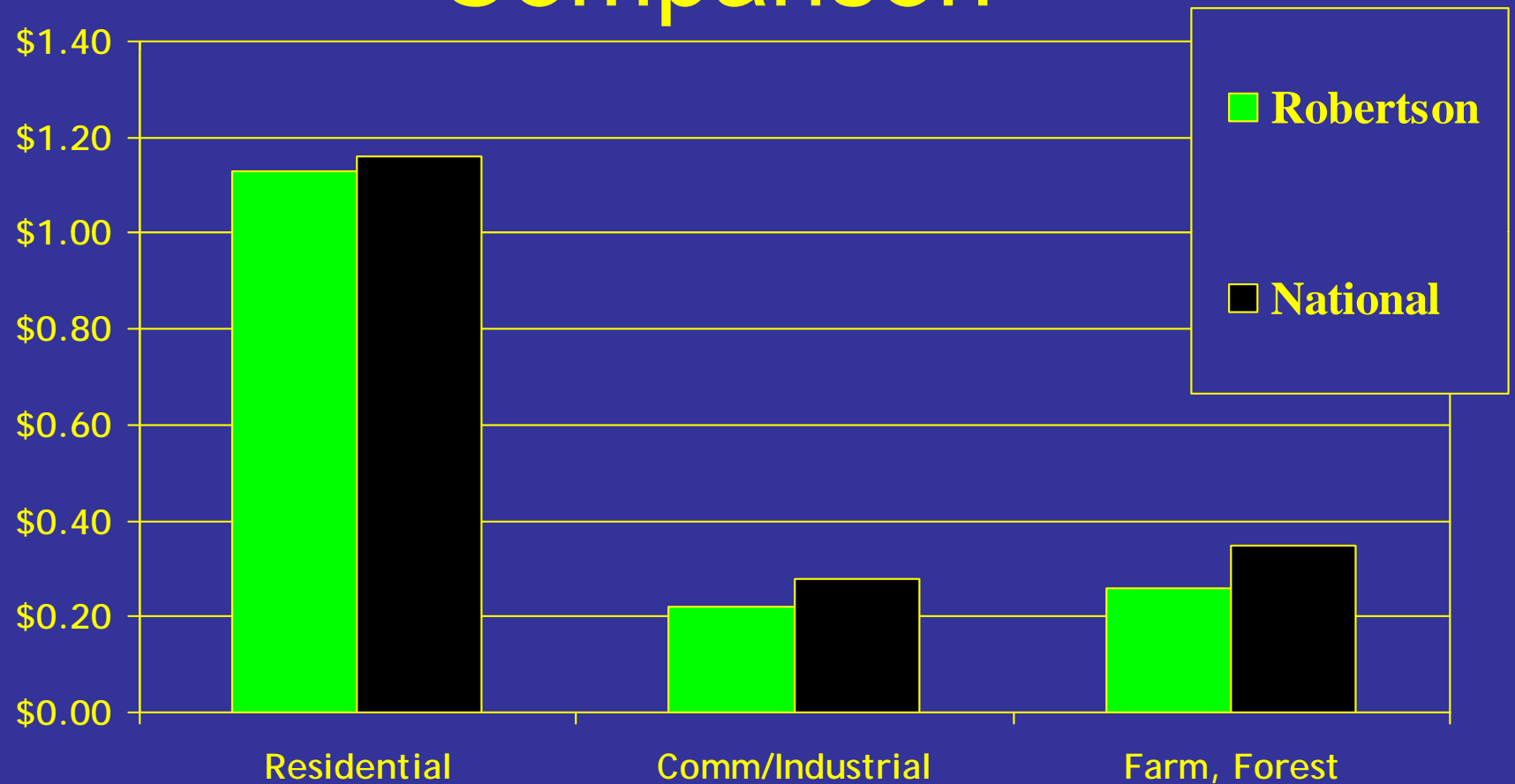
Revenues vs. Expenditures Blount



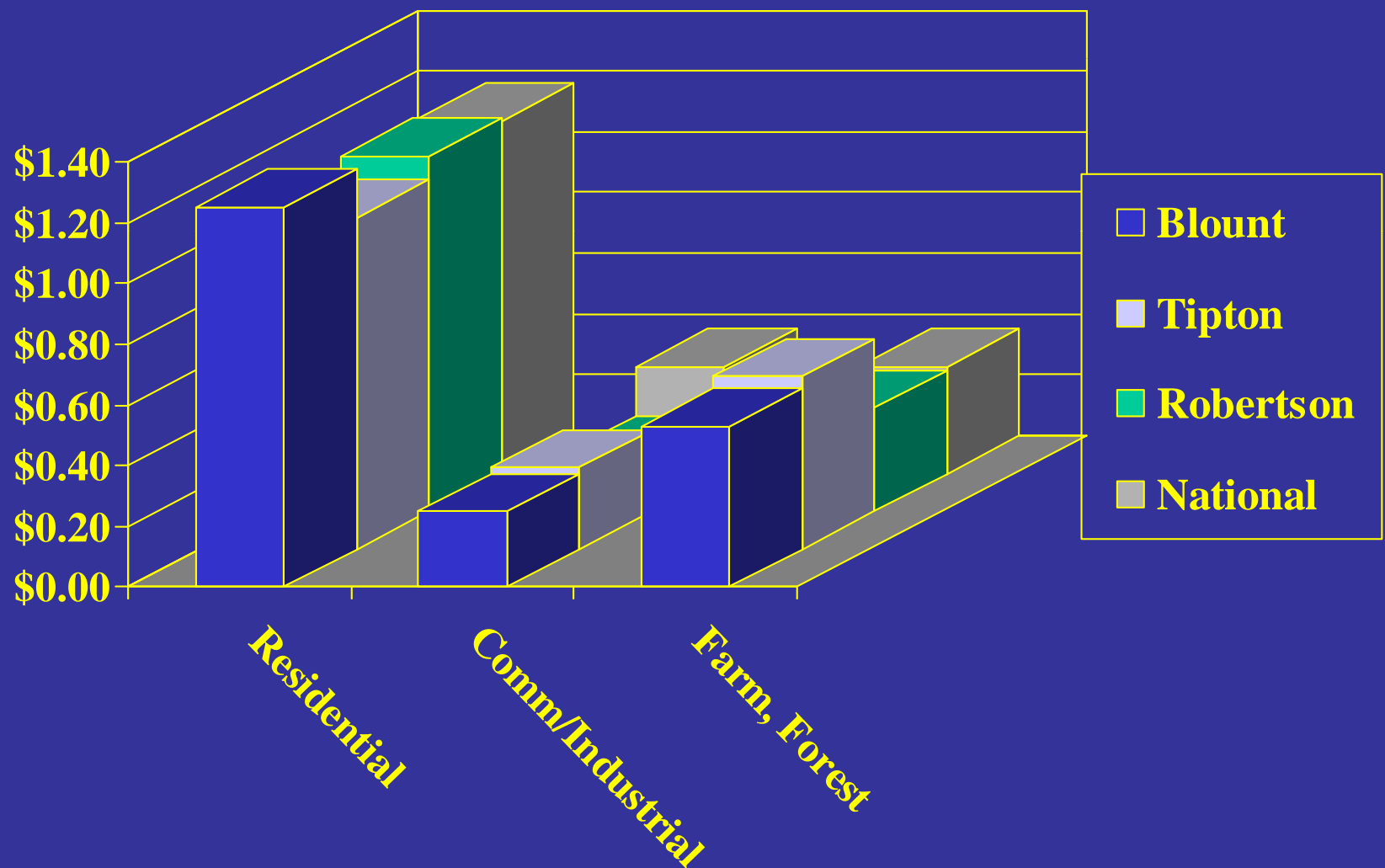
Revenues vs. Expenditures Robertson



Robertson Final Ratios Comparison



Final Ratios Comparison



Results of Three TN Studies

	<u>Residential</u>	<u>Commercial/ Industrial</u>	<u>Farmland</u>
Blount County	\$ 1.23	\$.25	\$.41
Robertson County	\$ 1.13	\$.22	\$.26
Tipton County	\$ 1.07	\$.32	\$.57
National Median	\$ 1.15	\$.28	\$.36

What is the largest single expenditure for a community?

The Public School System

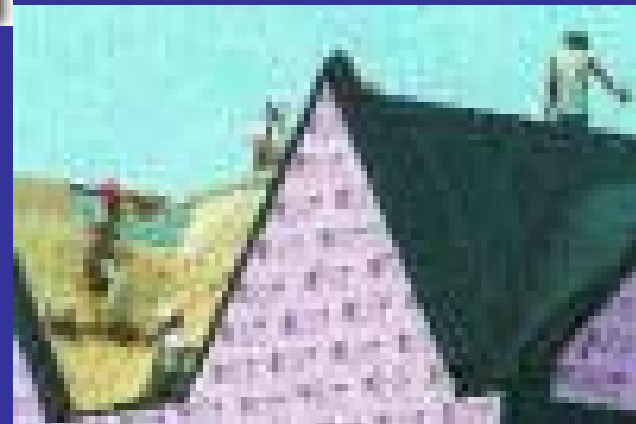


Commercial & Industrial
lands are most often
financial assets.

Agricultural lands may not seem to pay as much tax, but farm land has very little community service costs.

- Cows don't go to school.

Break-even homes



Implications

- Residential development often brings costs to the community that are not fully borne by new residents.
- Promoting growth has impacts on revenues and expenditures.
- How does a community manage growth, along with the positive and negative impacts it brings?

Agricultural Viability Smart Growth









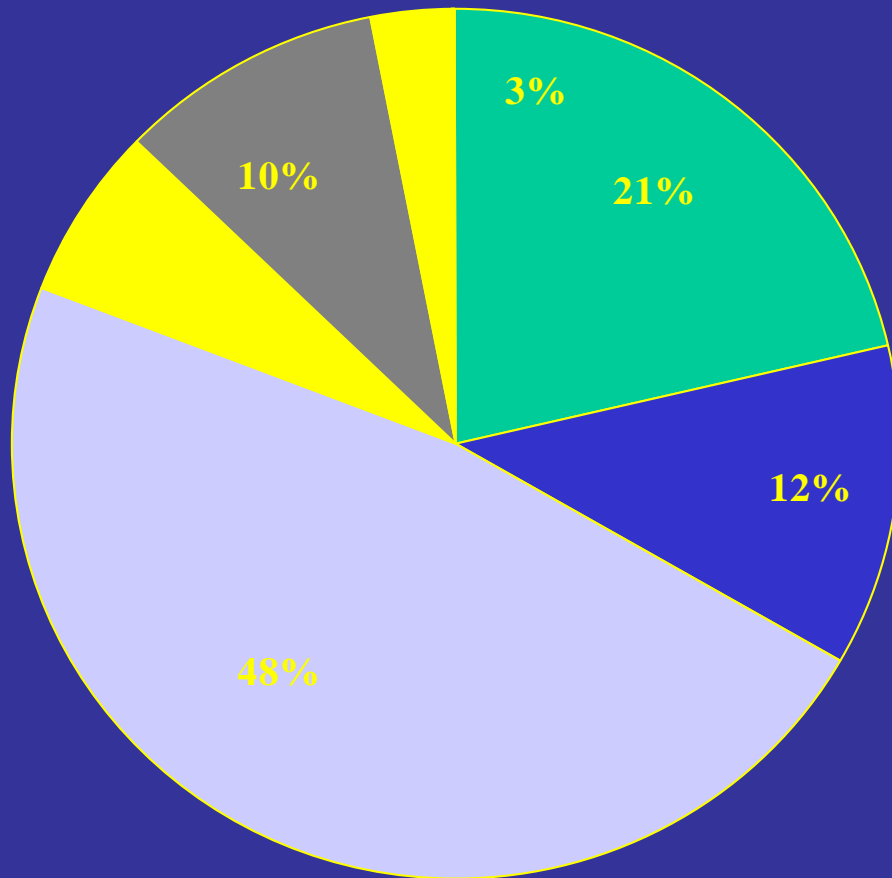
Property Tax

- Tennessee Constitution, article II, part 28.
 1. Public Utility Property 55%
 2. Industrial and Commercial Property 40%.
 3. Residential Property 25%
 4. Farm Property 25%

Economic Growth

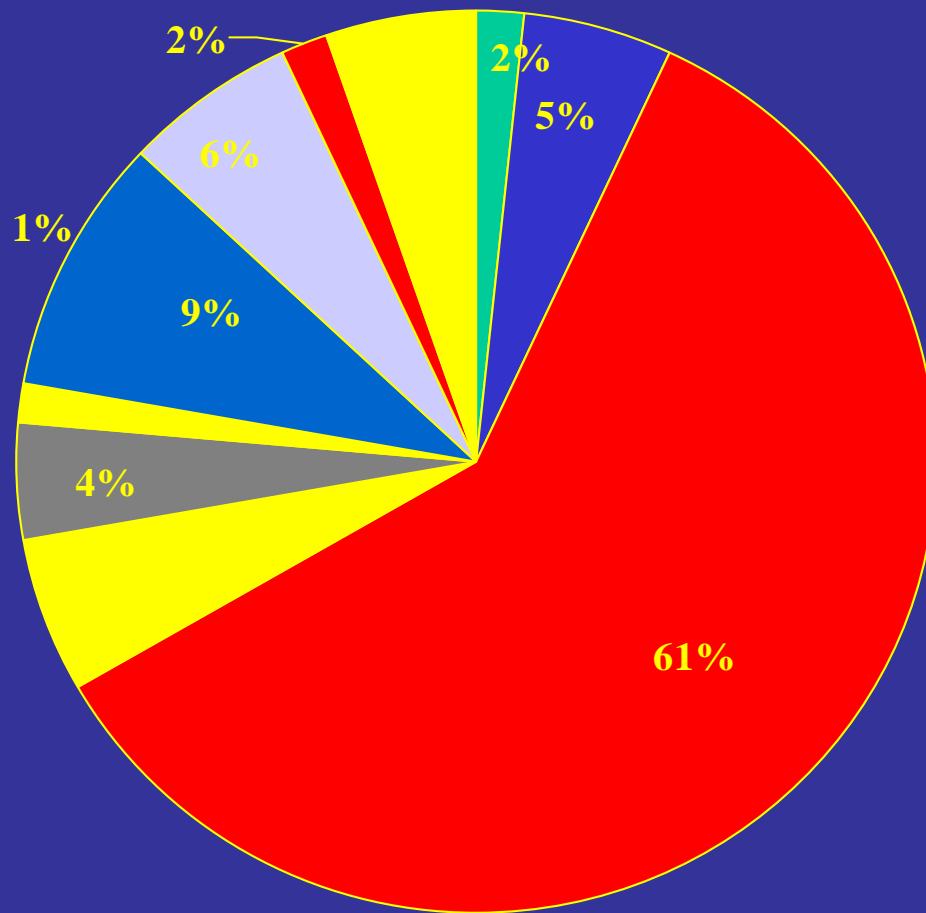
- Communities seek to attract:
 - Business,
 - Industrial,
 - Residential.

General Funds



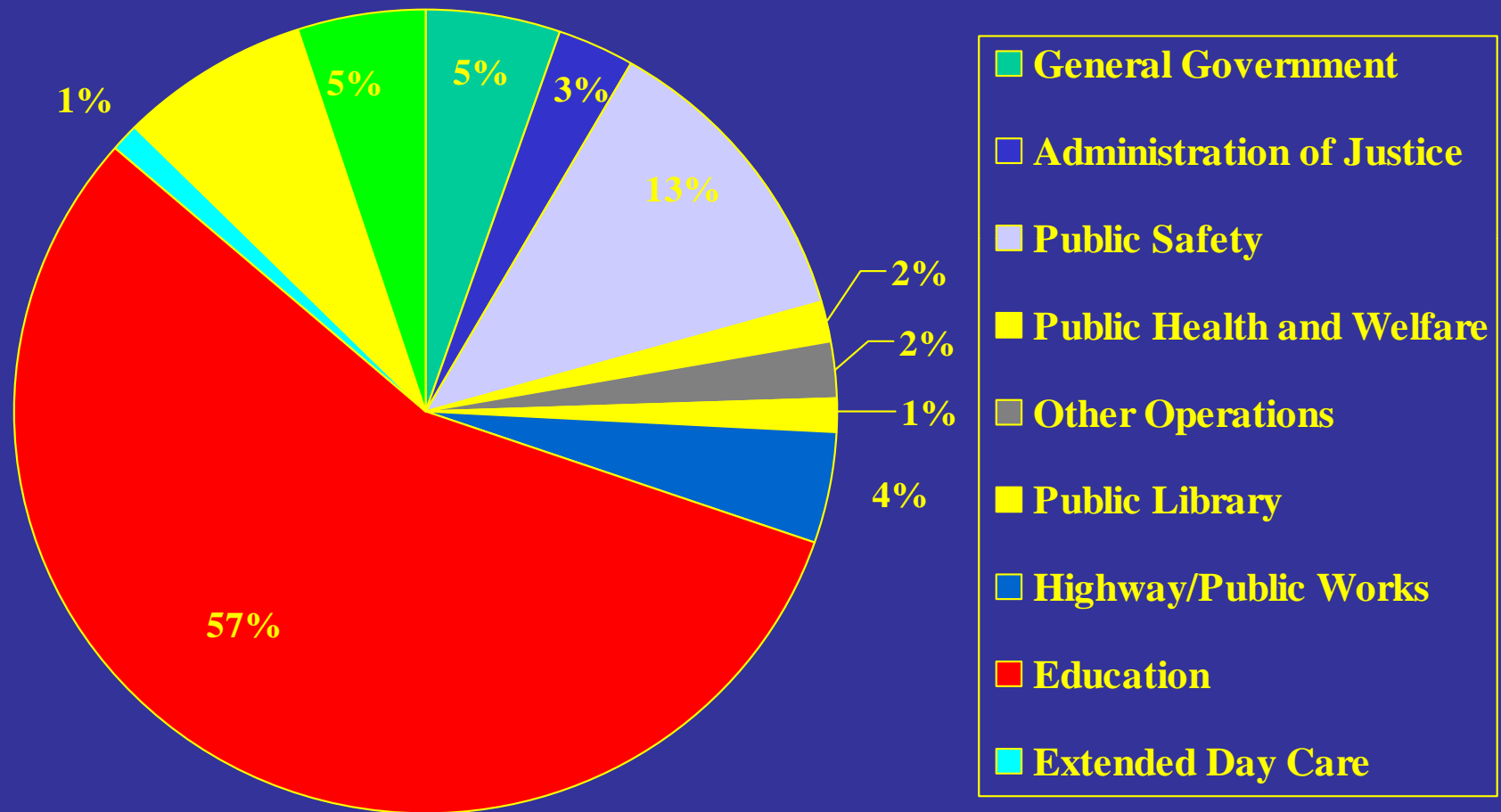
- General Government
- Administration of Justice
- Public Safety
- Public Health and Welfare
- Other Operations
- Total Capital Projects

Special Funds



- Public Library
- Highway/Public Works
- General Purpose School
- School Federal Projects
- Central Cafeteria
- Extended Day Care Program
- General Debt Service Fund
- General Construction Projects
- Public Library
- Highway/Public Works

Combined Funds



Emerging Questions

- Are these studies reliable?
- Why do the numbers vary?

Criticisms of the COCS Literature

- Too general.
- Fiscal impact only, too limited.
- Based on “cost theory of taxation” and do not consider how growth increases property values.

Revenue Sources from Property

*3 main methods by which a local government
may make an assessment on property being
developed:*

Special assessments,

Impact fees,

Privilege taxes.